

X. PERSONAL CURRENT TAXES

Personal current taxes are payments (net of refunds) made by persons that are not chargeable to business expense.¹ Personal current taxes include taxes on income, including realized net capital gains, and on personal property.² Also included in personal current taxes are payments for personal licenses. Contributions for government social insurance and certain penalty taxes are not included. The state estimates of personal current taxes are described in four sections: (1) personal current taxes to the Federal Government, (2) personal current taxes except personal property taxes to state governments, (3) personal current taxes except personal property taxes to local governments, and (4) personal property taxes to state and local governments.

Personal Current Taxes to the Federal Government

Personal current taxes to the Federal Government consist of individual income tax payments, including tax payments on the income retained by fiduciaries on behalf of individuals. These payments accounted for 77.4 percent of total personal current taxes at the national level in 2003 (table H). The national estimates of the personal current taxes and refunds are based mainly on data from the Treasury Department's *Monthly Treasury Statement*, supplemented with data on withheld social security taxes from the Social Security Administration and any refundable income tax credits.³

Individual income taxes

These payments are income taxes, net of refunds, paid by individuals. Gross payments are the sum of the income taxes that are withheld, usually by employers, from wages and salaries, the quarterly payments of estimated taxes on income that is usually not subject to withholding, and final settlements, which are additional tax payments that are made when the tax returns for a year are filed or as a result of audits.

The state estimates of tax payments and refunds are prepared in three steps. First, estimates of net income tax payments were prepared using tabulations of data reported on individual income tax returns and published in the Spring edition of the Internal Revenue Service's (IRS) quarterly *Statistics of Income Bulletin*. For years 1996 through 2001 for each state, the first approximation of net income tax payments was calculated as⁴

¹ In the 2003 benchmark revision, personal nontaxes were renamed personal current transfer payments to government and are now included in personal outlays. Therefore, disposable personal income is now equal to personal income minus personal current taxes. Personal current transfer payments to government consist mainly of donations, fines and forfeitures.

² Personal current taxes exclude payments of taxes on real property and payments of sales taxes. Taxes on real property paid by persons, except in the real estate business, are excluded because they are considered business expenses that are deducted from both gross monetary rental income and gross imputed rental income in the derivation of net rental income. Sales taxes are excluded because they are included in personal consumption expenditures.

³ In the National Income and Product Accounts, the refundable portion of any income tax credit, such as the earned income credit and the child tax credit, is treated as a transfer payment to persons.

⁴ The first approximation for 2001 was further adjusted to account for the large difference in the income taxes receipts and income tax liabilities. Income tax receipts were \$994.5 billion in 2001 compared to income tax liabilities of \$831.2, a difference of 16.4 percent.

$$NTR = IT - (EITC - XEITC)$$

Where:

IT = Income tax, including the alternative minimum tax, less all tax credits except the earned income credit. It excludes Social Security taxes on self-employment as well as certain penalty taxes.

EITC = Earned income credit

XEITC = Excess, or refundable, portion of EITC

The 2002 and 2003 state estimates of net income tax payments are extrapolations of the 2001 unadjusted estimates using relative changes in wage and salary disbursements.

Second, estimates of refunds of income tax payments were prepared. For each state, the first approximation of tax refunds, REF^n , for year n was calculated as

$$REF^n = OPT^{n-1} - XEITC^{n-1}$$

Where:

OPT = Overpayment of taxes.

The national estimate was then allocated to states in proportion to the first approximations.

Third, estimates of the gross income taxes were calculated as the sum of net income tax payments and refunds.

For 1990-95 for each state, the first approximation of net income tax receipts was calculated as

$$NTR = TTL - (EITC - XEITC) - SSSE$$

Where:

TTL = Total tax liability before the earned income tax credit

SSSE = Social Security taxes on self-employed income.

TTL was used because the item *IT* was not available. Total Tax Liability does include items such as the penalty tax on early IRA withdrawals, which are treated as current government transfers. However, source data were available to adjust *TTL* only for the Social Security taxes on self-employed income.

Current taxes on income retained by fiduciaries.

These are taxes that are paid on the income that is received and retained by fiduciaries on behalf of individuals. Because state-level data for these taxes are unavailable, the national estimates are allocated to states in proportion to the sum of the dividends, taxable capital gains, and taxable interest received by individuals, as published in the *Statistics of Income Bulletin*.

Personal Current Taxes Except Personal Property Taxes to State Governments

Personal current taxes, other than personal property taxes, paid by individuals to state governments consist of payments of individual income taxes, motor vehicle and operator license taxes, and other license taxes. These payments accounted for about 20.0 percent of personal current tax receipts at the national level in 2003 (table H).

The national estimates as well as the state and local estimates are based mainly on data from the Census Bureau's *Quarterly Summary of State and Local Tax Collections*. *Quarterly* tax estimates are annualized and controlled to Census' *Government Finances* fiscal year estimates.

Individual income taxes.

These are income tax payments by individuals after refunds. The state estimates are based on the data from the Census Bureau's *Quarterly Summary of State and Local Tax Revenues*, *Government Finances*, and *State Government Tax Collections (SGTC)*. Current year estimates are based mainly on quarterly data for the net individual income tax collections of each state government. These data are supplemented by data from individual states.⁵

Personal current taxes for motor vehicle and operator licenses and for other licenses

The national estimate of personal current taxes for motor vehicle and operator licenses is distributed by state mainly by data from Census Bureau's *SGTC* supplemented by Federal Highway Administration data. The motor vehicle license fees paid by business are excluded from the *SGTC* data with state-specific ratios determined from Federal Highway Administration data for 1996.

Personal current taxes for other licenses consist of the estimates of the fees that are paid to state government agencies for hunting and fishing licenses for personal, rather than commercial, use and the estimates of the fees for other noncommercial licenses, such as those for the registration of pleasure boats and aircraft. The state estimates of

⁵ The *Quarterly Summary of State and Local Tax Revenues* contains preliminary estimates of quarterly taxes for local property taxes and state taxes by type of tax. For some states, these quarterly estimates prove to be inconsistent with the fiscal year estimates reported in *SGTC*.

these license taxes are based on data for both the noncommercial and the commercial taxes from *SGTC*.⁶

Personal Current Taxes Except Personal Property Taxes to Local Governments

Personal current taxes, other than personal property taxes, paid by persons to local governments consist of individual income taxes, payments for motor vehicle registration and licenses, and payments of miscellaneous taxes. These payments accounted for over 2.0 percent of total personal current taxes at the national level in 2003 (table H). The national estimates are based mainly on data from *Government Finances*.

Individual income taxes

Estimates for 2001-2003 incorporate information from the 2002 Census of Governments. The 1997 estimates of local income taxes are based on data from the 1997 Census of Governments. The estimates for 1998 -2001 were extrapolated from the 1997 estimates using data from *Government Finances* for 1998 and 1999.

The annual estimates for local governments in New York and the District of Columbia incorporate quarterly income tax data from the State of New York and Census' quarterly data for the District of Columbia. Estimates for the remaining localities with local income tax were estimated using judgmental trends.

Motor vehicle taxes

The estimates of taxes levied by local governments on owners or operators of motor vehicles—including the registration and inspection of the vehicles but excluding personal property taxes—are based on data from *Government Finances*.⁷

Miscellaneous taxes

Miscellaneous taxes consist largely of fees for marriage licenses, the registration of pleasure boats, and licenses for pets. Estimates of these fees and taxes are based on data for local government "Other taxes" from *Government Finances*.

Personal Property Taxes to State and Local Governments

These payments consist of the payments of taxes on the tangible and intangible personal property of individuals. These payments accounted for about 0.6 percent of total current taxes at the national level in 2003 (table H). The national estimates of these payments are based on data from *Government Finances*.

The state estimates of personal property taxes to state and local governments are combined because the data to allocate these payments to each level of government are not available. The national estimate for state and local personal property taxes was

⁶ These data consist of the payments by both individuals and businesses, and the payments by individuals cannot be distinguished from those by businesses. Thus, the state estimates reflect the assumption that the geographic distribution of the payments by businesses and by individuals is the same as the national split.

⁷ See footnote 5.

distributed to the states using unpublished IRS estimates for personal property taxes, which is provided by individuals who itemize their deductions on their Federal individual income tax returns.

Table H.--Personal Income, Disposable Personal Income, and Personal Current
Tax Receipts by Component for the United States, 2003

	Millions of dollars	Percent of personal current taxes
Personal income..	9,148,680	.
Less: Personal current taxes..	1,000,467	.
Equals: Disposable personal income..	8,148,213	.
Personal current taxes..	1,000,467	100.00
Personal current taxes to the Federal government..	774,358	77.40
Income taxes (net of refunds)..	774,358	77.40
Income taxes (gross)..	952,920	95.25
Less: Refunds..	178,562	17.85
Personal current taxes to State governments..	200,177	20.01
Income taxes..	187,100	18.70
Motor vehicle licenses..	11,826	1.18
Other taxes /1/..	1,251	0.13
Personal current taxes to local governments..	20,426	2.04
Income taxes..	17,457	1.74
Motor vehicle licenses..	656	0.07
Other taxes..	2,313	0.23
State and local personal property taxes..	5,506	0.55

Footnotes

1. Consists Largely of hunting and fishing taxes and other license taxes.

NOTE.-- Detail may not add to totals due to rounding.